Transcript of Justin Draeger Presentation
The Power of Dynamic Thinking

Diane Todd Sprague – Thank you John. Next up on our agenda is **Justin Draeger. Justin** is an Assistant Director for Communications for the National Association of Student Financial Aid Administrators (NASFAA), currently serving on the NASFAA National Research Committee. Prior to his employment with NASFAA, Justin worked as the lead analyst for the Michigan Guaranty Agency's Customer Services Unit where he acted as the staff liaison to the MGA Default Aversion Task Force comprised of Michigan schools, lenders, and other partners. Justin began his career in student aid working as the financial aid administrator for the Douglas J Aveda Institute in East Lansing where he helped implement default prevention initiatives that led to a 50 percent decrease in the school's cohort default rate within two years. Justin earned a Bachelor of Science Degree in Resource Management from Brigham Young University and is currently pursuing his Master of Business Administration Finance from Baker College. He remains active in default prevention initiatives and spends the majority of his time writing and presenting on student aid related issues. Justin's writings can be found in publications such as NASFAA's Today's News, the *Student Aid Transcript*, and the *Greentree Gazette* among others. Now living in Vienna, Virginia, in his free time Justin enjoys spending time with his wife, Deanne, and their two children, Sophia and Truman. So; let's welcome Justin. (Clapping)

Justin Draeger – Thank you, it's a pleasure to be here again in Michigan. I flew in last night and it was 60 degrees in Virginia when I left; and 30 degrees here. On the drive up, they closed the highway and I met some blizzard conditions; so it was reminiscent of Michigan for me. It was a good homecoming. I appreciated John's comments while he was talking, and I actually found a lot of commonalities between us. I've spoken to John and your colleagues on the phone a couple of times; and we'll be working together in the future; NASFAA's very interested in following-up with this. Diane said that John started his career in the 1970's; I was born in the 1970's. He worked in radio; I listen to the radio; you worked as a psychotherapist; I won't say anything, and I won't even go there. You have a dog named Betty; we had a dog actually until last year; his name was Baxter, but he ended up biting me; so he's not with our family anymore. You sought Stewart out; I actually ended up sitting next to Stewart Hunger at a conference where Secretary Spellings' was speaking; and so that was (I think) a really interesting coincidence, because there <u>**is**</u> an intersection (I think) between Student Success and Default prevention. And; it was from sitting next to Stewart at that conference that we kind of came up with this idea of <u>**this**</u> being the next step for the symposium series that we are doing. And; the main thing that we have in common (obviously) is that we are <u>**all**</u> trying to make sure that our Student Loan Defaults are in check.

That we help our student's succeed to the extent that we can. I'm going to ask you a question. I asked this at a MSSFA Winter Conference (If you were there) during a general session; but, when you think about whether or not a doctor will be sued; what do you think is the **number one** determinate or corollary factor that determines whether or not a doctor will be sued? (This was identified in one study done by Statisticians and Actuaries who are actually insuring these doctors against malpractice suits). Any ideas? (I'm going to need you to raise your hands because it's kind of a blur up here). (One participant responded; "Money"), (ok; so it's the prospect of getting a lot of money out of a law suit, ok); (Second participant responded; "They didn't like the doctor"), (ok; good); (third participant responded; "If the doctor actually makes a mistake"), (ok; good).

The **number one** determinate (and determinate is probably the wrong word) because it's a corollary factor, (this goes back to our previous discussion last symposium about the differences between **correlation** and **causation**). But; they found that doctors (on average) spend fifteen minutes with a patient (that's the average). Doctors who spend three minutes more per patient (on average) are <u>**significantly less likely to be sued.**</u> And that goes back to a couple of things;

1) The relationship. You'd think in a Static Model (as we look at this) you'd think; "ok, a doctor treats a patient; (and then like participant number three responded), the doctor makes a mistake; and then the doctor is sued." That's how you kind of think of a doctor or malpractice would come about.

If this was the way we saw whether or not a doctor would be sued; how would we; or what kind of policies do you think a doctor would put into place to try to minimize his risk of being sued? He would try to make fewer mistakes; so he might order more tests up front; he might try to really make sure that what he's diagnosing is correct. But; what the study found was whether or not the doctor made the mistake wasn't necessarily the **strongest** corollary factor about whether or not he'd be sued. There was something more dynamic going on there; the dynamic part was; is that doctors who spent more time with their patients were **LESS** likely to be sued. So; what we have here is a doctor who treats a patient; the doctor builds a relationship with that patient; and then we'll say the doctor makes a mistake. (I'm sorry I'm jumping around here a little bit; but bear with me), the doctor makes a mistake.

2) Then what we found was that the patient evaluated their relationship with that doctor (relative to the mistake that was made) then the doctors either sued or not sued.

And so; what's going on actually is; the study found that some patients wanted to sue the specialist who really had nothing wrong to do with the malpractice or mistake; and they wouldn't sue their primary care physician. Because they felt; "I can't sue Dr. Smith, I've known her for years; she's taken care of my family; she helps me, there's no way I could sue her even if she was culpable." And so; from a cynical stand point you'd say; "Well just spend more time with your patients." But you have to go even a little deeper than that; you have to look a little bit more dynamically at the situation; because what's going on with the doctor's who spend more time with their patients? Instead of just trying to minimize the number of mistakes they make; their doing other things, like; educating their patients about their own health care; they're trying to teach them how to take care of themselves; how to diagnosis their own problems; and so; **these** are the things that help minimize the risk of a doctor being sued.

In fact; the study went on to find that in some instances; especially with heart attacks or heart conditions, more tests actually **created a conflict** in the doctor's mind on what the right course of action should be. And so; they found five things that a doctor could us to treat a heart condition; and if the doctor's just stuck to those five tests; the doctor **statistically** would help more patients than by doing a whole bunch of tests. And so; I'm trying to illustrate a couple of different points here; (and I'll try to make them as succinctly as possible). But what I'm trying to point out is that' there is a **power** to **Dynamic Thinking;** that it's not just looking at something from point A, to B, to C; but that there's something that's going on in **every** process; something dynamic; and if we don't look at all the dynamics that are involved in a process; then we might actually implement policies that are counter-productive to what we're trying to do. And that holds true even for Default prevention.

So; what's the difference between **Dynamic** and **Static** thinking? **Static Thinking** is a formalized process that depicts events, but does not address the underlying forces that may have an impact on that event or series of events. **Dynamic Thinking** is the study of the inner connected relationships on an event and the impact of those inner actions upon the outcome of the systems. (Ugh!) That's a very complex way of saying; **Dynamic Thinking** is looking at a problem with multi-dimensions. (That is to say) you're not looking just at what's on the surface; your digging a little deeper; to see what's going on with those students. So, for the doctor who realizes that there's a dynamic process going on here; it's not just about how many mistakes he has; he would implement different polices, he/she wouldn't just try to minimize the number of mistakes (That's certainly goal number one); but they'd also spend time with the patient trying to **"instruct them/teach them/help them";** take control of their own health care. And that's what would minimize that doctor's risk of being sued.

There's another example I want to use to illustrate this point. This one is a classic; and it was a study that was done by Michael Beck. He found that there were fishermen who wanted to catch salmon; but there was a competitor, (And this was up in the northwest, in Vancouver), and their competitor was sea otters. And the sea otters also ate salmon; so the fishermen would be out there trying to catch the salmon; and the sea otters would also be catching salmon. So they thought; "Aha!" if we want to catch more salmon; we have to eliminate our competition." So' the fishermen began eliminating the sea otters (get rid of the sea otters and we'll have more salmon.") What they didn't realize is that there was a dynamic process going on here; (that is); not only do sea otters eat salmon; but they also eat sea urchins.

Sea urchins eat kelp or ground cover at the bottom of the ocean where the small fish reside; and then the salmon also fed on small fish. So, if you kill all the sea otters; the sea urchin population sky rockets; then they eat all the ground cover; and there's no ground cover for small fish; so the salmon have no food source. So; what happens to the salmon? They either die or they leave. And so; what the fishermen ended up with was the opposite of what they were setting out to do; which was to catch salmon. There was a dynamic ecological system in place that kept the salmon population at a steady number; and when they eliminated (in their minds) what was their competitor; they actually ended up with less salmon.

So; how do we relate that to Default prevention? Well; if we don't understand all of the dynamics (I think) that sometimes we can work against ourselves, that is; we implement policies that at the very least might not be the most effective. At the very most, it might be counter-productive to what we're actually trying to do. The previous sessions of the symposium we've talked about the myriad of items that have affects on default; not just a borrower simply missing their payment.

So; just to give a quick recap; (If you haven't been here for previous symposium series):

Session I – Provided a context for our discussion by talking about Financial Literacy. Specifically; the amount of financial knowledge that student's bring into your schools.

And then; where they're learning that information from; and how well they're learning it. And we found; out of the majority of students learn about finances from home; and when you looked at the financial situations of their homes, it wasn't stellar. And so; they were coming in with this knowledge; and that's what you have to work with.

Session II – We talked about specific information about our student's borrowing habits as well as gained a fundamental basis for conducting institutional research; (Which John talked about already). Which is to target our limited resources to the students who need it most. So; this is a **very** s**tatic model** of default prevention work. A student takes out a loan; the borrower goes 270 days without payment; and then the borrower defaults. That's very simplistic (I'm sure nobody really sees it that way); that would be probably the **most static view** we could have of it. If we wanted to make it slightly more **dynamic;** we'd add another step. We'd say that the student takes out a loan; then the student drops out of school; and then the borrower goes 270 days without payment, and then defaults.

But even this; is probably a little overly simplistic, because it doesn't take into account all of the other things that go into default, so; here are some things. (This is not an exhaustive list by any means); but some of the studies that have come out have shown what things that have a relationship with default:

1) Failing classes; the more classes the student fails; the **more** likely they are to default. (I don't think that's a shock).
2) Number of credit hours. (That has mixed results); the more credit hours the student takes, the **less** likely they are to default. (So there's a negative corollary relationship there).

3) Whether or not they work outside of school (That has mixed results as well); but over all there's a negative correlation with default; that means, student's who work outside of school, **generally** are less likely to default. Up to a point; (And that's why there's mixed results there) because if you work too many hours; then you start taking away from your academics and it turns into a positive correlation, (So it's kind of mixed there); but the overall feeling is; the **more moderately** busy a student is; and engaged in their school work; the **less** likely they are to default.
4) GPA; obviously; the higher the GPA; the **less** likely they are to default.
5) The way they feel about their school or education. Also has a negative correlation with default. That means; the better they feel about their school or their education, (And Dr. Sandy Baum talked about this at the last symposium); the **more** likely they are to repay their loan successfully. So; if they feel **good** about their education; then they're likely to pay back their loans.

What we're finding (unfortunately); is in the studies that have been done by the College Board; is that students are turning a little bit more cynical than in the past about the education they're receiving; and the cost benefits between the amount of loans and the debt that they have to take; and the education that they're receiving. So; that's something that's not quite working in our favor. And then; obviously the number one (this is the **strongest** corollary factor) that was found between successful loan repayments was whether or not that student graduated. And John quoted a figure this morning; (somewhere around 70 percent, right? That was nationally? It was Direct Loan, thank you).

MGA did a similar analysis (and just took snap shots); and they found out of their defaulted borrowers that 90+ percent of all of the people who had defaulted (in that snap shot; they took year by year); had withdrawn from school. So; even a **stronger** relationship there. So; if we're to tie all of this together, and try to address all of these things in a financial aid office, it would be (I think) almost impossible.

What we have here is a model; (And like I said it's not a comprehensive list; but it's a model that I hope you can look at and use if there's not something going on in your campus) that you'll be able to at least take back and it'll be a starting point for you to implement or engage other departments at your schools in this work.

I was going to do an example; I told Stephanie from Eastern; and I tried to call her yesterday; and she wisely did not call me back until after hours (I think); but I was going to have her come up here and juggle and do a bunch of things until she couldn't do it anymore; but she never called me; so she's off the hook. But; my point that I was going to make (And it was mostly for my own amusement, because I can make the point without doing this); but, the point that I was going to make is; that for too long (I think) the Financial Aid offices has been the sole owner of default prevention work; and it ought not be that way. Default prevention work is a school-wide effort and you do not need to be the sole vested owners of that work.

When you look at this model, you'll see in the middle "Successful Student Loan Repayment." That's the goal. That's what we **all** are trying to get at. And then what I've tried to do is sort of a chronological order. So; if you start at College Readiness (on the left there in the light blue); that starts even before they come to your school, and then; you kind of work your way around the circle so you to go Accurate and Available Advising. A healthy credit load; to make sure that they're getting out on time; Monitoring their academic standing and progress; then they graduate; Job Placement Services has a role to play in this; Loan Terms; and making sure that they know the availability to deferments and forbearances; have a "realistic expectation" of their starting salary, compared to their debt levels; Short term interest rates have been found to have a corollary relationship with student loan default; so now that we've a fixed rate in the Stafford Loan Program; this might (we might see) the Defaults; (perhaps) the Default Rate will steady out just a little bit.

But; on those students who have loans that are currently in repayment; that still have the variable rate; might be important to kind of keep an eye on, that's because as those go up, the likelihood of defaults goes up. And then ultimately; they become a sustaining member of the institution.

What I mean by that is; they've graduated, they're successful, having success in life, and they're successfully paying back their student loans; and once someone becomes a sustaining member; that means they talk about their school, they get other people to come to your school; they talk to them about financial aid; and they actually end up doing the work that the school's should be doing. And that's a benefit of this whole process. (Around the outside; we have a couple different; you'll see these are sort of over-arching things that should be happening all the time).

First: Financial Literacy – Hopefully that's happening before they start coming to your school. (You might want to think about) as you're going out to Financial Aid nights; or helping high school counselors; that this be a part of their discussions; which is preparing students financially with the "right-mind set" before they go; to understand what it means to live on a budget, what is means to live like a student; those types of things. And then; this should be happening, hopefully while they're going to your school. And then; even at the end. (In fact; there was a recent article that just came out in the Chronicle that talked about one of the programs that Georgetown University is doing, and several others; but some public institutions, and I don't know if this is the case in Michigan, where they are required to offer Financial Literacy courses, ok, not a law here in Michigan; but it is in Virginia, and some of the public institutions have done things where they have created a "Graduation 101" that you're required to take in your senior year. It consists of figuring out actually what your monthly payments are going to be on your student loans; examining what type of repayment options you have; graduated repayment or income contingent; it talks about what your starting salary's going to be; it talks about what kind of budget you can "realistically" expect to live on with that salary").

So, the idea of a Financial Literacy at the end of your campuses; or the end of their school careers is to say "Now let's take a look at what you've accumulated in debt; let's look at what you "realistically" expect to make next year; and let's figure out how you're going to make this work. And; if you can't; here's where you are going to come back and talk with us; and we're going to try to work it out together." And then; the final thing (down here in the lower left hand corner, is);

Second: Building Relationships – (We're going to talk about that in just a few minutes). If you look at this model and you try to figure out where the Financial Aid office gets involved; I hope that you'll see is while you shouldn't, well you can't, and I don't think you should; be the lead on every single one of these issues. The Financial Aid office can be at the table for each one of these issues. If for nothing else to serve as a catalyst to the other departments to say, "We're all after the same thing." If you took this model however, and you took it out to your different departments and said, "This is what we're after," I think you'd probably get a sympathetic ear; and I think you'd get, "Well, this looks great, yeah, we're interested in Default prevention as well, but I think you'd have to change the model just a little bit."

And (I think) you'd have to change the model to this; instead of "Successful Student Loan Repayment" in the middle, you'd say; "Here's what we're after "Student Success." (It's the same thing as John pointed out earlier); but this (I think) will get you a little more buy-in because it's not just about default prevention. It becomes a piece of the "Student Success Puzzle." I talked about before the **strongest** corollary factor with default, is whether or not a student finishes or withdraws; so if we're looking at this dynamically, then instead of just trying to address "Student Loan Default", we should try to focus our institutions or our schools' efforts; or **all** our resources on "Student Success."

How many of you (and I know all of your schools have a mission statement); how many of you know them? (one participant responded); (Justin questioned): what's your-----(Justin laughs) Yes! Ok; does anybody? Ok, (I was going to look some up, but decided not to. (Oh! Yes, Yes, please, yeah, hold on we're going to get you a microphone, can we get the camera turned her way as well? We'll put you right on the spot. (second participant responded) "Healthy Individuals in Society; Building Healthy Individuals in Society" (Justin responds; Ok! Great! Perfect!) (second participant responds again) "Physical, Mental, Healthy Individuals in Society." PMHI in society, that's what it is. (Justin responds again) Great! I believe you, Perfect!

My school that I went to as an undergrad (Brigham Young University; had a religious affiliation); but our mission statement was "Perfection and Eternal Life for Every Student." Which was a little (maybe unattainable), but the point I'm trying to make is; that **all** our schools have a mission statement; and they probably all focus on making sure the student is successful; probably in life; in some way. So; I hope that when you look at this model; (and if you feel like you can take this model or adapt it); take it to the other departments on your campus; that you can get a tie-in with your mission statement which is the reason you're all there; we all have our silos perhaps where we're focusing on different issues; that a student has; but if we can lower those silos and mesh together for "Student Success"; I think that default prevention will spread out that burden; we'll find more success.

And, if the "warm fuzzies" don't really get them; you know the mission statement (and we all want to make them succeed), the numbers should. John already talked about the dollar numbers, the fiduciary responsibility we have to tax payers to make sure they pay back their loans; but the other thing is just the amount of money that it takes to recruit a new student; than to keep the one you have, and for colleges that are so concerned about keeping their cost down; this is the way to do it. Even if the Financial Aid office, (consider the amount of time it takes to package a whole new student and to go through the whole process; than to just re-package another student from year to year). The goal here if nothing else; gets them; the numbers should. Ultimately; it's cheaper to keep the students you have and see them succeed; and then they pay it back to you as they go out and are successful in the world.

When I talk about "Student Success" (and this may vary for you, and Drew; I think might talk a little bit more about this); but I'm talking about three things in particular:

1. That is to increase your year to year retention; so keep students over the course of their college careers.

2. To increase their degree completion; the number of students who graduate; and;

3. To increase **On-Time** completion rates; getting students in a four-year degree, out in four years. (I heard the cynics out there; somebody just went "ugh"; well at least in five years.

What we're seeing obviously is; (and we all know this) is there are trends where students are taking 5+ years to get out a four year degree; and then;

4. (Which isn't on here); is "Successful Student Loan Repayment; which hopefully becomes a result of all the other things. I want you to think about this for just a second; the default prevention initiatives you have going on in your own campuses are they s**tatic,** are they d**ynamic,** or are they n**on-existent.**

Student loan default is like (I've already talked about a d**ynamic problem;** that it doesn't just go from point A, to B, to C); there are so many things that may affect student loan default. If our default aversion policy stamps right across there as a s**tatic prevention policy;** then it's not going to be very effective. Let me give an example of what I'm talking about here. Let's assume that your default prevention strategy is to focus on students that are in repayment; that is; you get a delinquency report from your direct loan servicer or from your guarantor or lender; and you try to follow-up with these students who have already gone from your school and you try to inform them about deferments, forbearances, and all those types of things.

That is a very **static** way, not necessarily a bad way; just a very **static** way of looking at default prevention work, because you're trying to address students who have already graduated and moved on; when we know there are all these other things that a school can have much more influence on while they're in the doors of your campus. Let me give you one example that I saw in Ohio and Pennsylvania. This was about six months ago. There was a string of schools there that saw that they were losing students (they weren't coming back) their year to year retention rates were very low; and so they implemented some initiatives to try to increase their retention rates. After they implemented them; they found that they weren't improving very much. So they took a closer look (using institutional research) at their students; and they found that they had a disproportionately high number of single mom's with children; who had to work.

And so; the mom's would work and they'd try to do school; and then they'd drop out of school so they could work and pay some more bills; and try to come back in. The problem was; these students were falling in and out. And so; a simple retention model that they tried to implement before, really didn't address this particular population. So the school came together and came up with a way to address this problem. Namely to build on-site dorms for students who were mom's. They could live together at reduced rates and then put their children in day care (that was also run by the school; by the school of Child Development on campus). So, you had students in Child Development who were taking care of the day care (under school supervision); you had moms who were able to live on campus at a reduced rate and obtain financial aid to cover the cost of the dorms and the child care. And what they found was that their retention rates skyrocketed.

Now the jury is still out on their default rates because that's going to take a while to see how that turns out, but that's d**ynamic,** that's the school pulling together to look at "what is the issue at hand here; and how can we as a school address this issue." We talked before at the last symposium about institutional research; about narrowing it down to the students on your campus to see what it is that makes them unique, what unique issues are they having. I won't ask because of the lack of time right now; but I hope that you've done this, or at least started thinking about how you might examine your students closer to see what it is that they're struggling with. Where your students end up after they've graduated, or before they even graduate.

It's very difficult to talk about "Student Success" because for so long we've talked about a**ccess** especially in financial aid. One role; (and not that it shouldn't be); as been to provide to a**ccess** to students, not necessarily s**uccess.** If you follow the money, (and I just did a quick calculation the other day); and I found that (federal at least) Federal College Readiness dollars come to less than 1 percent of all other Federal Grant and Campus Based Funds. At least in Title IV; and the percentage of students that require remediation, (that is paying for a course for which they'll get no credit for); is somewhere between 50-60 percent (somewhere in there, it varies from state to state). So; that means possibly accumulating more debt for credits that aren't really applying to anything.

So; **"College Success",** (in this country) has been somewhat left behind **"College Access."** In fact, when you look at a**ccess** verses s**uccess** among the western countries, you'll see that when it comes to a**ccess participation** (and this list is ordered by college participation), the United States isn't doing to badly; we could be doing better; but we're fifth amongst all the other western nations. But; when you look at s**uccess** we're at the bottom. And so I think that even in the Financial Aid office we focus a lot on **access** (and like I said, not that we shouldn't); but we have to give due attention to s**tudent success** if we want to have an effective d**efault prevention strategy.** I think the Financial Aid office can play a big part.

I want to give an "antidotal example", the Pell Institute just came out with a study last Thursday or Friday, and it talked about a fundamental fact; that **most** students in universities are in a transition state, from adolescent to adulthood. That's the **majority** of college students; obviously we have **non-traditional** students that fit outside that. They talked about bridge programs (and this is just an example); but maybe it'll get some juices flowing, ideas going. A **"Bridge Program"** is simply a way to bridge that gap from adolescents to adulthood or high school to college successfully; and what this bridge program (that the Pell Institute talked about; which is currently being used on several campuses); is to **help students register for classes, find classrooms, bookstores, help them with successful study habits** and even **financial aid.**

In fact; the admissions and financial aid process was identified by the Pell Institute in this study, as one of the **TOP** three factors that will help students succeed in college. The study found that students in the **Bridge Programs** were **more** likely to go back to the counselors in those **Bridge Programs** than to the specific offices on campuses where whatever they (the student) were trying to figure out; than to the offices on campus that was responsible for. So; if they were in a **Bridge Program** and they applied for financial aid, they were **more** likely to go back to the counselors of the **Bridge Program** in the future to talk about financial aid than actually going to the Financial Aid offices.

Same thing with Admissions; as well as College Advising. So, if you have a **Bridge Program** on your campus and you're not involved, you should be involved. If you're in the Financial Aid office; if you don't have one **(Bridge Program)** the Financial Aid office should play a part (I think) in forming that; and being involved, and being a catalyst in it. In fact; the study went on to find that some of the greatest challenges that students in transition were having were determining the appropriate debt levels verses hours to work and finding ways to finance their college educations. I wanted to read from this study a quote from a student, he said, "It's been hard; because I got into the **Bridge Program** because I'm low income. But; I don't qualify for financial aid.

I don't qualify for anything. I don't get grants, all I get is loans; and I don't want that. That's the thing; I'm dreading as I start college and I know how pricy it is right now; and it's kind of hard because I can't qualify to get any sort of money because of my parent's. It's based on the **government's determination** of what's poverty and what's not. So I don't get anything. When you can barely afford to pay all the bills you have, then the government says that your income is enough to afford to be able to attend college; and I'm like; I can't even afford to pay my bills." The **Bridge Program** (the study by the Pell Institute) (which I've sighted here on the…..well, I don't have that citation; I'll have to get that to you. I'll have it for the afternoon).

The study went on to talk about how effective a Financial Aid office could be in making sure that students understand the amount of aid they have, how to file for financial aid, and then, how to continue to find funds to finish their college educations on time. And students ranked that as one of the **top** things that helped them to finish their educations and graduate.

So, when we look at our policies, they should meet a standard set of criteria. This is whenever we're going to implement **any type** of d**efault prevention** or **student success policy** or **program.**

We should (I think) put it up against these four tests:

1. Is/Does it have well designed means; that means; Do you have a target population, and do you have a defined goal? Is there a well defined path to get to that goal? Do you have built into the process or policy or procedure; a way to measure progress? So, if you're thinking about your own Default prevention activities on your campus, try to think through these things as we go through them, or if you have an idea; you are able to meet these four tests.

2. Does it have a net positive affect, that means (more or less) even though it may cause you more work are the net positives greater than the amount of work that it'll cause you? (I think we have to be careful with that one because; sometimes things do cause us a lot of work, but they're still worth it).

(Just and example); I just found out that Central Michigan University in partnership with Auburn and UNLV, did a small study on veterans from the Iraq and Afghanistan conflicts/wars and found that they were having a hard time finishing school, because they felt so isolated. They felt like they couldn't connect with anyone. They felt like they were having a hard time becoming integrated into the campus. And so; even though it may have caused them more work, (for a handful of students); I still think it was worth it. They are implementing procedures to bring these veterans together to some sort of support group so that they can depend on each other and finish their educations.

3. Is to minimize negative affects, obviously, if we know that there's a positive correlation with default with some issues like; the amount of student debt, then we should try to minimize student debt.

And then finally;

4. A mix of policies, that is; it should be several offices not just yours.

I want to talk a little bit about relationships. I think it would be naïve to not think that students develop a relationship with their schools. I recently talked to a gentleman who wrote a book about managers, "The Twelve Greatest Things That A Manager Needs." He works for the Gallup organization; and one of the twelve things (which was a little surprising to me) was that; to be successful at work, every employee needs (out of these twelve things) one of them was a best friend, or at least a close friend. And he said that's also the most controversial one. But he said the reason is that if you go to work everyday and your emotionally or intellectually isolated, then your odds of you staying with that employer goes down significantly.

The same thing with our students; if they come and they feel isolated or they don't make that connection with your school, the odds of student success goes down.

(I actually, this is one of the things that I worked on); I did some research on and presented at a conference for the American Society of Quality; and a lot of the work is contingent on a friend of mine, his name is Rick Winder and he is Deputy Director of the Michigan Bar Association here in Lansing. This is one of the research studies that we did. We gave this questionnaire out and did a survey, and I want to do it here today to demonstrate the power of relationships.

Let's say you all have a $2500 dollar car; and I want you to write down how much you would sell that car for to a nasty neighbor that you don't get along with. That's a $2500 dollar car (one participant questioned; "It works alright and everything?") (Justin replies; "Yes, it works") (second participant questioned; "Have you rigged it so that it'll blow up tomorrow?") (Justin replies; "No, you haven't rigged it that way no"). It's a $2500 dollar car, it's a fair working car, and it's appraised at $2500 dollars. (Justin – Nasty Neighbor), next how much would you sell that $2500 dollar car to a stranger? (Justin replies; "ok"). How much to a friend? And then, how much to a brother/sister (And I should've put in there; a brother/sister that you love and get along with) that really needs it.

Let's start with the nasty neighbor; how many of you said that you'd sell the car to the nasty neighbor for more than $2500; (Justin observes and replies "Ooh, a vindictive bunch), let's see how about upward of more than $2700? How about more than $3000? How many of you said I would not sell my nasty neighbor the car? (Justin observes and replies "ok; ouch; I've got to get the names of those people, steer clear”). How about to the stranger; how many of you said that you’d sell the car for more than $2500 to a stranger? How many of you said $2500 dollars? (Justin observes and replies “ok”) anybody less than $2500 dollars? (Justin observes and replies “good guy over there); how much to a friend; less than $2500 dollars? Less than $2000? Less than $1500? (Justin observes and replies “ok”).

How much to a brother/sister who really need it? Less than $2500? Less than $1500? How many of you would just give it to them? You know economists love to talk about supply and demand, and I’m not an economist; but there are other dynamic forces that are in play besides supply and demand; and that is; sometimes it’s called an Academic Social Capital; it’s the idea that relationships **do** play a part in economics. And this is how it goes everywhere we’ve done this study. When we did this survey, we found that the **majority** of people would sell the car for above the market value to a nasty neighbor, or wouldn’t sell it to them at all. **Most** people would sell it at market value to a stranger, and below market value for a friend. The **majority** of people would sell it well below market value to a brother/sister; or just give it them for free. And I think that it illustrates the point that if you say or you think that relationships don’t matter or the relationships between your offices and students or the school and the students don’t matter, then we’re kidding ourselves; because **THEY DO MATTER.**

And it’s important for those students to feel connected to the campus. The only thing I do want to point out here is that when you look at the trading ranges between there (and this is the principle that goes beyond just economics here); if you have two people, or two organizations, or an organization and a person, or an employee or a student that has a strong relationship; then that means that there’s more of a trading range. Meaning; the schools willing to give more to the student; or the employer is willing to give more to an employee; an employee is willing to give more to an employer; of a student is willing to give more to a school where they feel a connection or relationship.

So, when we go back to our model; the idea here is; that in all of the activities that we do, that we may directly or indirectly be involved in; the school is constantly building a relationship with that student; and as the student receives **Good Advising, Good Financial Aid Service, Financial Literacy Materials, Job Placement Assistance; Continued Disclosures, Contact From The School;** the student will **ultimately** or at least is **more** likely to succeed; and become; (as we talked about earlier), **a Sustaining Member of that School,** meaning that, that student will **recruit others, help others through the Financial Aid Admissions Process** and maybe (you know this if your looking at this from an alumni prospective); the grand-daddy goal and g**ives back more money to the school, once they’re in their careers.** But, also; s**uccessfully pays back their student loans.**

The Pell Institute in that study said, “Complex Academic, Social, and Cultural Transition to College Life (especially during that crucial first year); have an affect on whether a student can be successful in college and persist to graduation.” (This is from the same study); this is what one student said, “I joined this program **(Bridge Program)** because my program counselor told me that she was going to be there **every** step of the way. I had the same counselor for two years; and it’s the same point of reference, the same contact. You have something stable, you have someone calling you, you have someone checking in on you; and I just think that’s the most awesome thing; that you’re not just thrown into an office like, “OK, go see somebody.” You have the same person every year, you develop relationships with them, you can call them and they call you, and I think that’s awesome.”

So; one of the suggestions (and like I said, these are not things that you **have** to do, or **should** do, even, it’s just ideas), is that if there is a **student success program** on your campus; that hopefully the Financial Aid office can devote (at lease on a part-time basis); a staff to that program. Who can be there for this target population that you identify on your campuses as needing that additional help. (This is what another counselor said in this study); I think for us the **most** important thing is the development of **relationships;** you’ve got to develop that trust in that **relationship** first before you can ever really get into this." And that's what you need in order to be successful in high school; **the testing skills, the study skills, to make the successful transition to college.**

Student's **<u>especially in their first year,</u> (**that's when the transition rates are the highest), need to have a relationship with the campus; and that is that they have to feel culturally, academically, and financially integrated into that school. So; here's a **Transition Model;** it's in your binder, (I think it's under its own tab). This transition model identifies specific influence points where we might (as a school) might have an influence on a student. (I'm not going to go into this very in-depth right now; because in our break-out sessions later today; they're going to be lead by school facilitators); we're going to try to look at these influence points and see if we can brain-storm about different s**tudent success** or d**efault prevention** activities that might be **most** effective at those points.

And then, the other thing (that's over-arching all of this which we've already talked about); is, to make sure that we're continually monitoring the situation with institutional research. NASFAA recently did a survey and found that 51 percent of Financial Aid officers are tracking customer relationships, that is; how well they're working with their students, or how satisfied their students are with the Financial Aid office. But, the survey also found that 54 percent of institutions (that's institution-wide) have mechanisms to do this. So; if your office isn't doing it; (first you want to look and see if your school has a mechanism for you to being tracking that relationship; or how well your student's are progressing, and how satisfied they are with the school). If your institution doesn't have that mechanism, then perhaps you can be the catalyst in helping them to create one.

What we're doing here today, and what we all have in common is; ultimately **Student Success. Default prevention,** all of the numbers, everything that we're trying to get at in the end; that's all important. It's important from a fiduciary stand point, it's important in what we're doing here with tax payer money, but ultimately, (I think) that we all share the goal of wanting to see our student's succeed; and part of that successful s**tudent loan repayment**. And I share that dedication with you; and I hope that as we continue throughout the day and brain-storm later on; that we'll find some constructive, dynamic ways to address this growing issued of **student loan default.** (This is not going unnoticed by other states) and I'm very proud to be associated with Michigan.

I've gotten calls just in the last couple weeks from North Dakota, California, and Ohio who are all interested in doing what's going on here in Michigan. So, you should be proud of yourselves, and I thank you for coming today, and I look forward to talking to you a little bit more in the afternoon.